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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MK 3/8 V92-2231

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
MAY 8 1992
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For the quarterly period ended March 29, 1992

Commission file number 001-10647

PRECISION OPTICS CORPORATION, I
(Exact name of registrant as specified in its charter)

Massachusetts	04-2795294
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

22 East Broadway, Gardner, Massachusetts 01440-3338
(Address of principal executive offices) (Zip Code)

(508) 630-1800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

The number of shares outstanding of registrant's common stock, par value $.01 per share, at March 29, 1992 was 5,642,626 shares.

PRECISION OPTICS CORPORATION, INC.

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	(b) Reports on Form 8-K - None	

PRECISION OPTICS CORPORATION, INC.
BALANCE SHEETS

ASSETS

	March 29, 1992 (UNAUDITED)	June 30, 1991 (AUDITED)
CURRENT ASSETS		
Cash and Cash Equivalents	$3,820,948	$1,112,145
Accounts Receivable, Net	1,027,341	899,390
Inventory	717,151	757,209
Prepaid Expenses	98,165	23,338
Total Current Assets	5,663,605	2,792,082
PROPERTY AND EQUIPMENT	1,225,969	1,107,585
Less: Accumulated Depreciation	885,311	836,987
Net Property and Equipment	340,658	270,598
OTHER ASSETS		
Cash Surrender Value of Life Insurance Policies	29,771	29,771
Patents	60,055	36,026
Deferred Financing Costs, Net	4,719	6,172
Total Other Assets	94,545	71,969
TOTAL ASSETS	$6,098,808	$3,134,649

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Loan Payable	$ --	$ 185,430
Accounts Payable	548,399	645,427
Accrued Expenses and Other Liabilities	148,813	195,632
Current Portion of Long-Term Debt	--	45,015
Total Current Liabilities	697,212	1,071,504
LONG-TERM DEBT	--	230,593
DEFERRED TAXES	10,000	33,000
STOCKHOLDERS' EQUITY		
Common Stock, $.01 par value- Authorized -- 10,000,000 shares Issued and Outstanding -- 5,642,626 at March 29, 1992 and 4,377,047 at June 30, 1991.	56,425	43,770
Paid in Capital	5,017,839	1,435,231
Retained Earnings	317,332	320,551
Total Stockholders' Equity	5,391,596	1,799,552
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,098,808	$3,134,649

PRECISION OPTICS CORPORATION, INC.
STATEMENTS OF INCOME
FOR THE THIRD QUARTER AND FOR THE NINE MONTHS ENDED
MARCH 29, 1992 AND 1991

	THIRD QUARTER		NINE MONTHS	
	1992 (UNAUDITED)	1991 (UNAUDITED)	1992 (UNAUDITED)	1991 (UNAUDITED)
REVENUES	$1,374,586	$1,314,657	$4,471,434	$2,952,196
COST OF GOODS SOLD	927,397	1,074,012	3,341,352	2,321,492
Gross Profit	447,189	240,645	1,130,082	630,704
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	575,414	199,701	1,201,226	493,669
Operating Income (Loss)	(128,225)	40,944	(71,144)	137,035
INTEREST EXPENSE	(6,297)	(19,839)	(31,486)	(63,417)
INTEREST INCOME	45,306	27,744	68,948	41,886
Income (Loss) Before Taxes	(89,216)	48,849	(33,682)	115,504
PROVISION FOR/(BENEFIT FROM) INCOME TAXES	(46,463)	13,817	(30,463)	34,784
Net Income (Loss)	$ (42,753	$ 35,032	$ (3,219)	$ 80,720
PRIMARY EARNINGS (LOSS) PER SHARE	$ (0.01)	$ 0.01	$ (0.00)	$ 0.02
WEIGHTED AVERAGE SHARES OUTSTANDING	5,279,226	5,009,829	4,692,799	3,860,651

PRECISION OPTICS CORPORATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED
MARCH 29, 1992 AND 1991

	1992 (UNAUDITED)	1991 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ (3,219)	$ 80,720
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operations-		
Depreciation and Amortization	50,047	39,382
Changes in Assets and Liabilities-		
Accounts Receivable	(127,951)	(277,750)
Inventory	40,058	(49,234)
Prepaid Expenses	(74,827)	(33,132)
Deferred Costs	--	136,310
Other Assets	(24,299)	(10,121)
Accounts Payable	(97,028)	241,226
Accrued Expenses and Other Liabilities	(69,819)	(110,940)
Net Cash Provided (Used) by Operating Activities	(307,038)	16,461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(118,384)	(109,918)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Subordinated Debt	--	(206,730)
Repayment of Loan Payable	(185,430)	--
Repayment of Long-Term Debt	(275,608)	(29,468)
Proceeds Received from Sale of Stock	3,595,263	1,455,690
Net Cash Provided By Financing Activities	3,134,225	1,219,492
NET INCREASE IN CASH	2,708,803	1,126,035
CASH AT BEGINNING OF PERIOD	1,112,145	36,687
CASH AT END OF PERIOD	$3,820,948	$1,162,722
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for-		
Interest	$ 32,788	$ 63,417
Taxes	$ 89,250	$ 42,492

PRECISION OPTICS CORPORATION, INC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared by the Company, without audit, and reflect all normal adjustments which, in the opinion of management, are necessary for a fair statement of the results of the third quarter and the first nine months, respectively, of the Company's fiscal year 1992. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with footnotes contained in the Company's financial statements for the period ended June 30, 1991 together with the auditors' report filed under cover of the Company's 1991 Annual Report on Form 10-K.

Earnings per share is computed based on the weighted average number of common and common equivalent shares outstanding, where dilutive, during each period. The difference between the average number of shares under the primary and fully diluted calculations is immaterial, and therefore fully diluted Earnings Per Share and Weighted Average Shares Outstanding have not been disclosed in the accompanying financial statements.

2. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market. The components of inventories were as follows:

	March 29, 1992	June 30, 1991
Raw Materials:	$307,793	$523,781
Work-in process:	227,925	154,474
Finished goods and components:	181,433	78,954
Total Inventories:	$717,151	$757,209

3. PUBLIC OFFERING

The Company completed a public offering of 1,176,250 shares of common stock during the quarter ended March 29, 1992 at $3.375 per share gross proceeds to the Company, net of $0.375 per share discount to selling brokers. Gross proceeds to the Company were $3,969,844 and net proceeds were approximately $3,589,000.

4. EXERCISE OF WARRANTS

The holders of warrants for the purchase of 120,000 and 67,501 shares, respectively, of the Company's common stock have requested, pursuant to such warrants, that the Company file a registration statement covering such shares under the Securities Act of 1933, as amended. The exercise price for the shares covered by such warrants is $1.50 per share. The Company may defer the filing of the registration of the 120,000 shares, under certain circumstances, for a period of not more than 180 days after January 14, 1992, and may defer the filing of the 67,501 shares, under certain circumstances, for a period of not more than 180 days after February 24, 1992.

PRECISION OPTICS CORPORATION, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Results

Total revenues for the third quarter and for the first nine months ended March 29, 1992 increased by $59,929, or 4.6%, and $1,519,238, or 51.5%, respectively, over the same periods in the prior year.

Medical Products revenues increased by 100% for the quarter and by 128% year to date resulting mainly from sales of laparoscopic products and a specialty medical product which the Company designed, developed, and brought into full-scale production under contract for one of its customers. Revenues from Advanced Optical Design and Development Services and Products decreased by 44% for the quarter, but increased by 13% year to date. The decrease in the current quarter was due primarily to a major night vision contract which had large-quantity early delivery requirements and has low-quantity delivery requirements as it nears completion.

Gross profit for the quarter and year to date increased by $206,544, or 85.8%, and $499,378, or 79.2% respectively. Approximately $66,000 and $119,000 respectively of these increases is attributable to reclassification of a department from overhead to selling, general, and administrative expense to more accurately depict current department functions. The balance of the respective increases is attributable to a favorable shift in sales mix to medical products which have higher gross margins, and to higher overall sales.

Selling, general, and administrative expenses, in addition to the above reclassification, increased by $309,713, or 155% for the quarter and by $588,557, or 119%, year to date. The increase was due primarily to several factors: research and development costs increased for medical product development and improvement (see Liquidity and Capital Resources below); higher advertising and promotional expenses were incurred to begin a major selling and promotional campaign; higher legal, accounting, and administrative costs were incurred as a result of being a publicly held company; and higher bad debt losses were incurred (due primarily to a customer bankruptcy).

Interest expense decreased by $13,542 for the quarter and by $31,931 year to date as a result of the retirement of the Company's bank loan and long term debt.

Interest income increased by $17,562 during the quarter and by $27,062 year to date, reflecting the higher investment base of cash equivalents attributable to the proceeds of the public offering.

Liquidity and Capital Resources

For the nine months ended March 29, 1992, the Company's cash and cash equivalents increased by $2,709,000 to $3,821,000. The increase in cash and cash equivalents was due to receipt of net proceeds of approximately $3,589,000 from a public offering of common stock and $6,000 from exercise of stock options, partially offset by cash used by operating activities ($307,000), capital expenditures ($118,000) and repayment of all outstanding short and long-term debt ($461,000).

The Company has significantly increased its internally-funded research and development spending on new medical products and on the improvement of existing products, from $24,000 for the third quarter and $40,000 year to date in fiscal year 1991, to $63,000 for the third quarter and $220,000 year to date in fiscal year 1992. The Company intends to continue devoting significant resources to the marketing and product support of its new endoscope product line and to the development of new methods of distribution. Furthermore, depending upon the market acceptance of the new product line, the Company believes that it may have to acquire new facilities, add additional manufacturing or research and development equipment, or acquire a business that manufactures or sells to the Company components, materials, supplies, or services used in the manufacture, marketing, distribution, or servicing of these new products, as well as the Company's existing products. The Company plans to expend a significant portion of its present cash and cash equivalents to accomplish these ends. These efforts are expected to result in negative cash flow from operating activities during the balance of fiscal year 1992 and into fiscal year 1993, until the results of these efforts translate into increased sales and profits.

The Company continues to maintain a secured line of credit of $500,000 available with a bank at 1/4% over the prime rate.

The Company's cash and cash equivalents and available lines of credit are considered sufficient to support working capital and investment needs for the foreseeable future.

PART II. OTHER INFORMATION

Items 1-5 Not Applicable.

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - There were no reports on Form 8-K filed during the period covered by this report.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRECISION OPTICS CORPORATION

DATE: May 5, 1992

BY: J P Dreimiller

Jack P. Dreimiller
Senior Vice President, Finance
and Chief Financial Officer